

BOEHM, KURTZ & LOWRY

ATTORNEYS AT LAW
36 EAST SEVENTH STREET
SUITE 1510
CINCINNATI, OHIO 45202
TELEPHONE (513) 421-2255
TELECOPIER (513) 421-2764

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PUBLIC SERVICE
COMMISSION

November 19, 2004

Beth A. O'Donnell, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: Case No. 2004-00321

Dear Ms. O'Donnell:

Please find enclosed the original and twelve (12) copies of the First set of Data Requests of Gallatin Steel Company filed in the above-referenced matter.

By copy of this letter, all parties listed on the attached Certificate of Service have been served. Please place these documents of file.

Very Truly Yours,



Michael L. Kurtz, Esq.
BOEHM, KURTZ & LOWRY

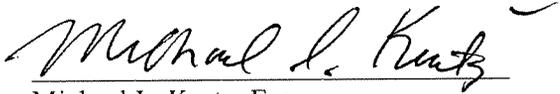
CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy, by overnight mail and electronic mail to all parties on this 19th day of November, 2004.

Charles Lyle, Esq.
East Kentucky Power Cooperative, Inc.
4775 Lexington Road
P. O. Box 707
Winchester, KY 40392-0707

Mr. Bill Bosta, Manager of Pricing Process
East Kentucky Power Cooperative, Inc.
4775 Lexington Road
P. O. Box 707
Winchester, KY 40392-0707

Elizabeth Blackford, Esq.
Office for Rate Intervention
1024 Capital Center Drive
Frankfort, KY 40601


Michael L. Kurtz, Esq.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

APPLICATION OF EAST KENTUCKY POWER)
COOPERATIVE, INC. FOR APPROVAL OF AN)
ENVIRONMENTAL COMPLIANCE PLAN AND) CASE NO.
AUTHORITY TO IMPLEMENT AN) 2004-00321
ENVIRONMENTAL SURCHARGE)

FIRST SET OF DATA REQUESTS OF
GALLATIN STEEL

Dated: November 19, 2004

DEFINITIONS

1. "Document" means the original and all copies (regardless of origin and whether or not including additional writing thereon or attached thereto) of memoranda, reports, books, manuals, instructions, directives, records, forms, notes, letters, notices, confirmations, telegrams, pamphlets, notations of any sort concerning conversations, telephone calls, meetings or other communications, bulletins, transcripts, diaries, analyses, summaries, correspondence investigations, questionnaires, surveys, worksheets, and all drafts, preliminary versions, alterations, modifications, revisions, changes, amendments and written comments concerning the foregoing, in whatever form, stored or contained in or on whatever medium, including computerized memory or magnetic media.
2. "Study" means any written, recorded, transcribed, taped, filmed, or graphic matter, however produced or reproduced, either formally or informally, a particular issue or situation, in whatever detail, whether or not the consideration of the issue or situation is in a preliminary stage, and whether or not the consideration was discontinued prior to completion.
3. "Person" means any natural person, corporation, professional corporation, partnership, association, joint venture, proprietorship, firm, or the other business enterprise or legal entity.
4. A request to identify a natural person means to state his or her full name and residence address, his or her present last known position and business affiliation at the time in question.
5. A request to identify a document means to state the date or dates, author or originator, subject matter, all addressees and recipients, type of document (e.g., letter, memorandum, telegram, chart, etc.), number or code number thereof or other means of identifying it, and its present location and custodian. If any such document was, but is no longer in the Company's possession or subject to its control, state what disposition was made of it?
6. A request to identify a person other than a natural person means to state its full name, the address of its principal office, and the type of entity.
7. "And" and "or" should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.
8. "Each" and "any" should be considered to be both singular and plural, unless specifically stated otherwise.
9. Words in the past tense should be considered to include the present, and words in the present tense include the past, unless specifically stated otherwise.
10. "You" or "your" means the person whose filed testimony is the subject of these interrogatories and, to the extent relevant and necessary to provide full and complete answers to any request, "you" or "your" may be deemed to include any person with information relevant to any interrogatory who is or was employed by or otherwise associated with the witness or who assisted, in any way, in the preparation of the witness' testimony.
11. "EKPC" means Eastern Kentucky Power Cooperative and/or any of their officers, directors, employees, or agents who may have knowledge of the particular matter addressed.

INSTRUCTIONS

1. If any matter is evidenced by, referenced to, reflected by, represented by, or recorded in any document, please identify and produce for discovery and inspection each such document.
2. These interrogatories are continuing in nature, and information which the responding party later becomes aware of, or has access to, and which is responsive to any request is to be made available to Kentucky Industrial Utility Customers. Any studies, documents, or other subject matter not yet completed that will be relied upon during the course of this case should be so identified and provided as soon as they are completed. The Respondent is obliged to change, supplement and correct all answers to interrogatories to conform to available information, including such information as it first becomes available to the Respondent after the answers hereto are served.
3. Unless otherwise expressly provided, each interrogatory should be construed independently and not with reference to any other interrogatory herein for purpose of limitation.
4. The answers provided should first restate the question asked and also identify the person(s) supplying the information.
5. Please answer each designated part of each information request separately. If you do not have complete information with respect to any interrogatory, so state and give as much information as you do have with respect to the matter inquired about, and identify each person whom you believe may have additional information with respect thereto.
6. In the case of multiple witnesses, each interrogatory should be considered to apply to each witness who will testify to the information requested. Where copies of testimony, transcripts or depositions are requested, each witness should respond individually to the information request.
7. The interrogatories are to be answered under oath by the witness(es) responsible for the answer.
8. Responses to requests for revenue, expense and rate base data should provide data on the basis of Total company as well as Intrastate data, unless otherwise requested.

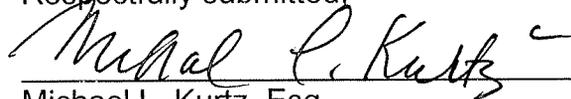
GALLATIN STEEL'S FIRST SET OF DATA REQUESTS TO EKPC
Case No. 2004-00401

- Q. Please provide a copy of the Company's two most recent RUS Form 7 filings.
- Q. Please provide a computation of the Company's net operating income and TIER for the calendar years 2002 and 2003 and the most recent 12 months ending period for which information is available. Please provide supporting documentation in the same format as the computations provided in response to PSC Request 17.
- Q. Refer to the Company's response to PSC Request 18. Please provide a computation of a BESF factor based on the costs included in the 1993 test year as a percentage of revenues from that test year including the annualized rate increase allowed. Provide all computations, assumptions, data, and workpapers, including electronic spreadsheets with formulas intact.
- Q. The environmental surcharge statute, KRS 278.183 is entitled "Surcharge to recover costs of compliance with environmental requirements for coal combustion wastes and by-products – Environmental compliance plan, review and adjustment." In addition, the statute provides for recovery of "costs of complying with the Federal Clean Air Act as amended and those federal, state, or local environmental requirements which apply to coal combustion wastes and by-products." Please explain how Projects 3, 4, 5, 6, and 7, related to NO_x reductions at the Smith CTs qualify as recoverable costs pursuant to this statute.
- Q. Refer to page 4 lines 7-8 of Mr. Eames Direct Testimony. Please provide a copy of all RUS TIER requirements relied on by the Company, including any interpretations or applications by the RUS or any other parties of which the Company is aware that it believes are relevant in this proceeding.
- Q. Please indicate whether the Company believes the RUS applies the TIER requirements to individual property units or to the entire Company. Please provide a copy of each source document that supports your response.
- Q. Please provide the amounts and interest rates of specific debt issues used to finance each project to date and projected through the in-service dates. Also, please identify the issuer and/or guarantor of each of the specific debt issues.
- Q. Please describe how the Company capitalizes construction interest or AFUDC, if at all. In that description, please indicate whether the Company applies a TIER multiplier to the debt interest rate. Also, please indicate whether the Company capitalizes any return on its patronage capital. Provide a copy of the Company's written policies, guidelines, or procedures that describe the computation of capitalized construction interest or AFUDC.
- Q. For each of the Company's proposed projects, please provide the other taxes related to plant equipment that was or will be retired and replaced and related to the operation of that plant equipment, such as property taxes and payroll taxes, that were included in base rates for the 1993 test year. Provide the computations, assumptions, data, workpapers, and a copy of each source document relied on for your response.

- Q. For each of the Company's proposed projects, please provide the insurance expense related to plant equipment that was or will be retired and replaced and related to the operation of that plant equipment that was included in base rates for the 1993 test year.
- Q. Please provide the property insurance expense, property tax expense, gross plant in service, and accumulated depreciation reflected in the 1993 test year.
- Q. Please describe the lag that typically transpires between the placement of plant in-service (or the incurrence of construction costs if such costs are included in the assessed value) and the inclusion of those plant costs in the Company's assessed property values and the related property tax expense. For example, plant costs incurred in June 2004 may not be included in assessed value until December 2005 with the related expense first recognized in January 2006.
- Q. Please describe how the Company tracks or plans to track or otherwise computes or plans to compute the property tax expense associated with these environmental projects.
- Q. For each project, please indicate the month and year when the Company will first accrue property tax expense on its accounting books, consistent with its response to the two preceding questions.
- Q. Please describe how the Company computes depreciation expense in the month of a plant in service addition. For example, if a project is closed to plant in month 1, does the Company compute depreciation on the amount closed in month 1 or does it commence depreciation expense in month 2? If in month 1, does the Company prorate?
- Q. Please describe how the Company plans to compute the depreciation on Project 1 for ECR purposes in the month in which the construction cost is closed to plant in service, assuming that the actual in-service date is after February 28, 2005.
- Q. Refer to page 4 lines 14-19 of Ms. Wood's Direct Testimony. Please provide the depreciation rates by plant account and project proposed by the Company. In addition, please provide a copy of the source document, such as the relevant pages from a depreciation study, including the relevant pages describing the derivation of the rates, and any other computations, assumptions, data, and workpapers relied on for the derivation of the proposed depreciation rates.
- Q. Refer to Bosta Exhibit 1 page 1 of 2 and the E(m) definition. Please explain why the Company divided RB (rate base) by 12 rather than RORB (rate of return on rate base) by 12.
- Q. Refer to Bosta Exhibit 3 page 6 of 7. Please provide the amount of air permit fees in the 1993 test year and included in base rates. In addition, please provide the tons of output in the 1993 test year compared to the tons of output in 2003, 2004, and projected for 2005, that were used or that are projected to be used in the computation of the air permit fees in those years. If available, please separate the air permit fees and the tons of output requested by generating unit.
- Q. Please provide the original in-service dates of each of the generating units for the proposed environmental compliance projects.

- Q. Please identify and quantify the revenues from each sale of emission allowances in each year 2000 through 2004, if any. Please describe the Company's accounting for such sales.
- Q. Refer to Attachment 1 page 2 of 41 section "b," addressing the pricing of off-peak energy, and the definition of EKPC's Incremental Energy Cost on the attached Schedule A of the Company's response to AG Request 2b. Please describe the specific methodology and tools, if any, the Company uses to compute the incremental energy cost to supply these sales.
- Q. Please provide the hourly incremental energy cost on a per kWh basis to supply the TGP off-peak sales for each hour of such sales during calendar year 2003 and to date 2004 in an Excel spreadsheet format, excluding the \$3.00 per mWh charge cited on Attachment 1 page 2 of 41 section "b," addressing the pricing of off-peak energy, of the Company's response to AG Request 2b.
- Q. Refer to Attachment 2 page 16 of 87 section "B," addressing the energy charge for interruptible service (other than such service provided pursuant to the LG&E Contract) and the recovery on an hour-by-hour basis of EKPC's "out-of-pocket expenses," which also are defined in that section. Please describe the specific methodology and tools, if any, the Company uses to compute each of the "out-of-pocket expenses" included in this interruptible energy charge.
- Q. Please provide each of the hourly out-of-pocket costs on a per kWh basis to supply the interruptible sales to Gallatin, other than those pursuant to the LG&E Contract, for each hour of such sales during calendar year 2003 and to date 2004 in an Excel spreadsheet format.

Respectfully submitted,



Michael L. Kurtz, Esq.

BOEHM, KURTZ & LOWRY

36 East Seventh Street, Suite 1510

Cincinnati, Ohio 45202

Ph: 513.421.2255 Fax: 513.421.2764

E:mail: mkurtz@BKLawfirm.com

**COUNSEL FOR GALLATIN STEEL
COMPANY**

November 19, 2004